

What is the Gross Receipts Tax?



*New Mexico Taxation
and Revenue Department*

Joseph Montoya Building
1100 St. Francis Drive
Santa Fe, NM 87505



Tax Information &
Policy

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For help with gross receipts tax and other state business taxes...

DISTRICT TAX OFFICES:

New Mexico offers free tax help and advice to corporations and individuals at these TRD district tax offices:

1. District A (Santa Fe) (505) 827-0951
2. District B:
(Albuquerque) (505) 841-6200
(Farmington) (505) 325-5049
3. District C (Las Cruces) (575) 524-6225
4. District D (Roswell) (575) 624-6065

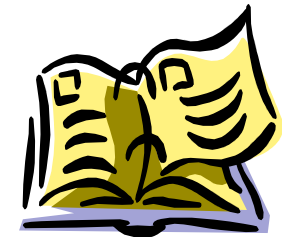
WORKSHOPS

The Taxation and Revenue Department conducts free, three-hour workshops monthly around the state. Please check the web site at www.tax.newmexico.gov to find the calendar. Choose "Workshop Schedule" under "News and Alerts" toward the bottom of the homepage. You may also write to us at P.O. Box 630, Santa Fe, NM 87504-0630, and we will mail a calendar to you.

PUBLICATIONS

For more detailed information about the gross receipts tax, pick up the following publications at our district offices or on our web site at www.tax.newmexico.gov. Click on "publications" and scroll down, or write to us at the above address for a copy:

- ◆ FYI-102, "Information for New Businesses"
- ◆ FYI-103, "Information for Nonprofit Organizations"
- ◆ FYI-105, "Gross Receipts and Compensating Taxes, An Overview"
- ◆ FYI-200, "Your Business Location"
- ◆ FYI-215, "C-SPAN Federal-State Tape Match; Other Questions on Business Income"
- ◆ FYI-240, "Sales to Governmental Agencies"
- ◆ Brochure #3, "501(c)(3) Nonprofit Groups and New Mexico's Gross Receipts Tax."
- ◆ Brochure #5, "Employee or Independent Contractor?"



What is the gross receipts tax?

New Mexico is one of a minority of states that has a gross receipts tax structure instead of a sales tax. The gross receipts tax, very different from a sales tax, is a tax on the privilege of doing business in



this state. It applies to the total amount of money or other considerations (barter, for instance) that a business receives for its transactions here in New Mexico. The taxable amount is the gross amount — not net after business expenses —

and the tax liability belongs to the business instead of the customer. The gross taxable amount includes all reimbursed expenses billed to the customer: meals, travel, hotels, shipping, handling, postage, etc.

State statutes do not prevent a business from recovering the tax cost from the customer as it would any other overhead expense. Passing the tax to the customer at the time of sale is the prevalent practice.

The business has a choice of ways to recover the tax. It can either separately state the tax at the time of sale, or it can charge a single sum to the customer and use a formula to separate the tax at the time it reports and pays the tax to the state. In any case the tax rate is the rate in effect at the business location. See FYI-200, “Your Business Location.”

Taxes in New Mexico are on transactions and not on items. Five kinds of transactions are subject to the tax:

- ☐ Sale of property in New Mexico;
- ☐ Leasing or licensing property employed in New Mexico;
- ☐ Granting a right to use a franchise employed in New Mexico;
- ☐ Performance of services* in New Mexico, and
- ☐ Performance of services outside of New Mexico, the product of research and development services out of state when initial use of the product of which is initially used in New Mexico.

The law presumes that all transactions are taxable unless statute provides an exemption or deduction. See FYI-105, “Gross Receipts and Compensating Taxes, An Overview” for a listing of exemptions and deductions.

What Is an Exemption?

An exempt receipt is not taxable and does not require reporting. If all receipts of a business or organization are exempt, it does not register with the Department unless it wishes to apply for non-taxable transaction certificates, or unless it must do so for another tax program; for instance, to withhold and remit withholding tax for employees.

What Is a Deduction?

A deduction is a receipt that is not subject to the tax but is reportable to the Department. Any business with deductible receipts registers with TRD and maintains proof of deductions taken. Proof may require a nontaxable transaction certificate (NTTC) or other evidence acceptable to the Secretary. The deduction means that there is no tax on a transaction, and consequently, no tax for the

business to recover from the customer. The use of the NTTC system eliminates a layer of tax when possible. The law does not permit NTTC use in some cases. If all receipts of a business are 100% deductible, the law requires the business to file a “zero” CRS-1 Form.

Filing the Gross Receipts Tax

Gross receipts tax is filed on the CRS-1 Form on or before the 25th of the month following the close of the report period. As a convenience the business may file multiple taxes on the CRS-1 Form, including gross receipts tax, compensating (use) tax, and withholding tax if it has employees. The CRS-1 Forms and such other useful and necessary information as the updated gross receipts tax rate schedule are in the CRS-1 Filer’s Kit mailed twice a year to registered businesses who file a paper return.

Income Tax & Gross Receipts Tax

The Personal Income Tax and the Gross Receipts Tax in New Mexico are two distinct tax programs. If a business, whether individual or corporate, files an income tax report in New Mexico, one requirement is satisfied. The income may be subject to the gross receipts tax too, however. The business must meet the gross receipts tax reporting requirements or justify why it has not reported or paid gross receipts tax.

Schedule C Tapematch & Gross Receipts Tax

New Mexico and the federal government participate in a federal-state tape match called C-SPAN that compares business income declared on federal Schedule C with gross receipts-taxable income reported by a New Mexico business. If there are discrepancies, the Taxation and Revenue Department asks the filer to explain. There may be good reasons; for instance, all receipts were exempt from gross receipts but were nevertheless subject to federal and state income taxes. See FYI-215, “CSPAN Federal-State Tape Match; Other Questions on Business Income” for more information.

Nonprofit Gross Receipts

Gross receipts of 501(c)(3) organizations recognized by the Internal Revenue Service are exempt from state tax on receipts related to their IRS authorization. Unrelated income is taxable. NOTE: The only kind of purchase they can make without having to pay the business’s passed-along gross receipts tax is of tangible personal property (*intangible property, services and leases are not eligible*). They must present to the vendor a Type 9 nontaxable transaction certificate, or the vendor will likely recover tax from them. See FYI-103, “Information for Non-profit Organizations.”

Governmental Gross Receipts

New Mexico has a governmental gross receipts tax of 5% on certain transactions, usually from state government activities, entertainment events or sales of tangible personal property from facilities open to the general public. The tax applies also to refuse collection or disposal, sewage services, the sale of water by government-owned utilities and the rental of parking, docking and tie-down spaces. These tax costs are also recovered from the customer.

**Construction is a service. All materials that become ingredients or components of a construction project are considered a service. A contractor will recover gross receipts tax from its customer— nonprofit, government, or otherwise. A nonprofit organization or government purchaser may not give a Type 9 NTTC to the vendor of construction materials if the materials are intended for a construction project, unless the nonprofit is a 501(c)(3) organized for the purpose of providing home ownership opportunities to low income families. ■*